

ASX RELEASE (30 OCTOBER 2019)

THC Global Quarterly Update & Appendix 4C

Key Points:

- Controlled Substances and Prescription Drugs manufacture and wholesale licences secured – major milestone in commencing commercial scale production of medicines at Southport Facility
- Additional licences enable use of on-site analytical lab equipment at Bundy and Southport reducing product development cost and strengthening quality assurance and safety capabilities
- New Zealand product sales success – recent Endoca CBD product shipment under exclusive distribution sold out in October
- Product sales in New Zealand laying foundation for distribution of THC Global's own Australian manufactured products in mid 2020
- Canadian hydroponics equipment division reporting YTD unaudited revenue of over \$3 million to end Q3 2019 with ~80% QoQ cash receipts increase

THC Global Group Limited (THC Global or the Company) (ASX:THC) provides an update on the Company's activities, as well as the Appendix 4C for the quarter ended 30 September 2019 (**Q3 2019**).

Australian Cannabis Operations: Licenced Farm to Pharma

THC Global has secured Schedule 8 Controlled Substance (**S8**) and Schedule 4 Prescription Medicine (**S4**) Manufacturing and Wholesale Licences from the Queensland Department of Health for both the Company's Southport Manufacturing Facility and its 'Bundy' Facility. These licences enable THC Global to hold, manufacture, and wholesale S8 and S4 substances and medicines including medicinal cannabis. These licences were a key requirement for the commencement of Australian supply and distribution of THC Global's Australian produced medicinal cannabis as both S8 controlled medicines and S4 pharmacy medicines.

These S8 and S4 Licences also enable the Company to utilise its on-site analytical lab equipment at both the Bundy and Southport Facilities, reducing cost of product research and development, and enhancing THC Global's quality and safety assurance capabilities in support of its pharmaceutical Good Manufacturing Practice (**GMP**) certification.

THC Global remains committed to completing product validation at its Southport Manufacturing Facility by the end of December 2019, enabling commencement of supply of Australian medicinal cannabis to Australian patients in early 2020.

New Zealand CBD Products Sales: Shipment Sold Out

THC Global is the exclusive distributor of cannabidiol (**CBD**) products produced by Endoca, a European cannabis producer, in New Zealand. In support of the Company's distribution activities of CBD products, the Company provided financial assistance to DATAPHARM, a healthcare company in New Zealand, to launch CBDinfo.co.nz (**CBDinfo**). CBDinfo is an information platform providing medical practitioners enrolled on the platform with relevant and evidenced information on the use, availability, and potential benefits and risks of medicinal cannabis products. Since launch of CBDinfo in June 2019, over 100 medical practitioners have enrolled to use the platform.

During October, the Company sold out its recent shipment of Endoca's CBD products in New Zealand, with additional orders being placed by THC Global for Endoca's product to support increased demand. As production of THC Global's own medicines from the Southport Manufacturing Facility reaches export scale in mid 2020, the Company expects to commence distribution of its own products in parallel with the Endoca CBD products, taking advantage of the supply and distribution pathways built with the Endoca product.

Canadian Hydroponics Operations: Over \$3m YTD Revenue + ~80% QoQ Cash Receipts Increase

THC Global's Canadian hydroponics equipment wholesaling and retailing division, Crystal Mountain, has reported an unaudited trading revenue over \$3 million for the year to end of Q3 2019 (January to September). Further, Crystal Mountain reported cash receipts in the quarter of over \$1 million, representing a 79% Quarter-on-Quarter improvement. The stronger results in Canada were driven by the Company's strategic focus on the retail market including targeting holders of a commercial micro-cultivation licence and individuals registered with Health Canada for personal cultivation of cannabis for medical purposes.

Cash Balance

In addition to the \$4.02 million in cash held at the end of Q3 2019, the Company received \$1.1 million in repayment of an employee loan during October 2019 which will be recognised in the Q4 2019 Appendix 4C. The Company also expects that continuing exercises of the ASX:THCO Listed Options will further increase the Company's cash balance.

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THC Global Group Limited (ASX: THC) thc.global

THC Global operates under a 'Farm to Pharma' pharmaceutical model, now holding all three key cannabis licences being a Cannabis Research Licence, a Medicinal Cannabis Licence (Cultivation), and two Manufacture Licences through its domestic medicinal cannabis subsidiaries THC Pharma and Canndeo. Additionally, THC Global holds controlled substances (S8) and pharmacy medicines (S4) Manufacture and Wholesale Licences for its Bundy and Southport Facilities in Queensland, Australia. THC Global has secured a significant cannabis growing capacity over multiple cultivation projects, and owns a licenced GMP ready high-volume bio-pharma extraction facility with attached testing and product development laboratory.

THC Global is in prime position to commence medicinal cannabis production to service both domestic patients and the global export market. THC Global is active globally with operations in Australia, New Zealand, and Canada and partnerships across Europe, Asia, and the Middle East. In addition to its core Australian medicinal cannabis assets, THC Global has a significant Canadian presence – both in cannabis and in hydroponics equipment. THC Global's Canadian cannabis operation, Canndeo Canada (formerly, Vertical Canna), holds property in Nova Scotia, Canada being developed into a large scale cannabis production site. THC Global's hydroponics equipment division, Crystal Mountain, is a revenue generating manufacturer, wholesaler, and retailer of hydroponics equipment and supplies for cannabis cultivation.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

THC GLOBAL GROUP LIMITED

ABN

33 614 508 039

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,032	2,453
1.2 Payments for		
(a) research and development	-	(128)
(b) product manufacturing and operating costs	(713)	(2,152)
(c) advertising and marketing	(84)	(205)
(d) facility operating and running costs	(175)	(507)
(e) staff costs	(640)	(1,827)
(f) administration and corporate costs	(1,149)	(3,341)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	19
1.5 Interest and other costs of finance paid	(31)	(52)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	278
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,758)	(5,462)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(234)	(337)
	(b) businesses (see item 10)	-	-
	(c) investments	-	(197)
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(234)	(534)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	2,984
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	325	749
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(55)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (loans to other entities)	-	-
3.10	Net cash from / (used in) financing activities	325	3,678

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	5,689	6,334
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,758)	(5,462)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(234)	(534)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	325	3,678
4.5	Effect of movement in exchange rates on cash held	6	12
4.6	Cash and cash equivalents at end of quarter	4,028	4,028

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,028	5,689
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,028	5,689

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	75
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
N/A		

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	114
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

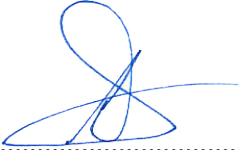
N/A

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	50
9.2 Product manufacturing and operating costs	365
9.3 Advertising and marketing	40
9.4 Facility operating and running costs	264
9.5 Staff costs	600
9.6 Administration and corporate costs	1,000
9.7 Other (development costs)	-
9.8 Total estimated cash outflows	2,319

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 

Company Secretary

Date: 30 October 2019

Print name: Henry Kinstlinger

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.